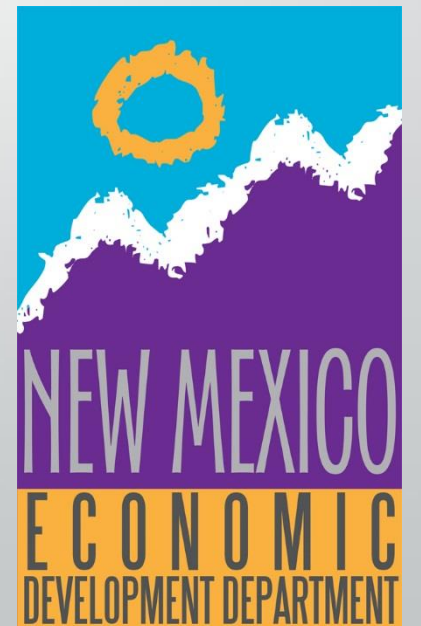


Innovation Creates Diversification

**Legislative Finance Committee
May 8, 2014**

Alex Romero, Chair, Economic
Development Commission

Jon Barela, Cabinet Secretary



Robust Planning Process

- 60 organizations contributed to this plan
 - Including 26 local economic development organizations &
 - Seven Councils of Governments
- Two focus groups vetted Innovation → Enterprise → Economic section
- EDD Rural Economic Development Council informed the Rural Renaissance section
- Economic Development Commission held three public hearings in Santa Fe, Las Cruces and Taos
- Commission provided feedback to staff work
- Commission voted to accept the plan on December 9, 2013 and will now focus on ensuring the Plan is a living document



Eight Priorities Identified:

- Innovation → Enterprise → Economic Development
- Rural Renaissance: Prosperous Rural Communities
- Borderplex & Logistics Industry Development
- Business Resource Center: One-Stop-Shop
- Center of Excellence in Water Research
- Workforce Development
- Recruit New Industry: New Mexico Partnership
- Film & Emerging Media

1. Innovation → Enterprise → Economic Development

The process of moving R&D commercialization to job creation.

New Mexico is ranked first in non-industry federal research funding. This represents an opportunity to diversify our economy and provide high-technology jobs that will keep our best and brightest graduates here.

Success will require addressing issues and gaps across the continuum from Innovation, when IP or technology is commercialized; to Enterprise, early stage startups; to Economic Development, the gazelles who create the jobs for the next generations of New Mexicans.

Innovation/Enterprise Goals & Objectives:

Goal: Create a “Culture of Innovation” in New Mexico, an optimal environment to increase the percentage of R&D conducted here that is licensed for commercial use.

Objectives:

- Streamline and negotiate consistent policies around transferring technologies from the national laboratories and universities to the private sector
- Develop infrastructure where it is needed to provide an optimal environment for researchers
- Direct resources toward industry sectors that address issues critical to the growth of the state and are aligned with the research already conducted at the labs and universities

Innovation Strategies:

Moving R&D from the research institution to the private sector

- Establish a fund and facilities to target and recruit researchers
 - contribute new technologies, generate philanthropic and federal grant funds, and attract investors, corporations, and serial entrepreneurs seeking technologies for investment.
- Allocate capital outlay funds to create at least two “Innovation Centers”
 - Specifically for research and technologies developed here, leveraging state funds with the private sector investment and available federal funding.
- Bring consistency to technology commercialization policies at the 3 research universities
 - Providing funding to support cost-sharing, facility development, and program operations.
- Create infrastructure within research institutions to move marketable technologies to the private sector
 - Create an environment for both faculty and graduate students to become successful entrepreneurs.

Example: Build an incubator in the UNM Health Sciences Center and at the Water Research Institute at NMSU.

Enterprise Strategies:

Improving the success rate of early stage companies

- Create more incentives targeting serial entrepreneurs and market the state to these types of investors.
 - *Examples: Preferred access to technologies and financial incentives from the state's commercialization fund. Abate taxes for a small business that licenses a technology from a university or federally-funded research center*
- Create a new legal form of company entity, a provisional corporation, to provide formal protection to people in the exploration process of forming a new startup
- Provide recurring funding for business incubators and encourage entrepreneurs to start their companies in an incubator through incentives such as tax exemption while the company remains in the incubator (maximum of 3 years)
- Unite the technology transfer offices and financially support them under the Technology Research Collaborative thereby re-focusing the mission to create "gazelles", high-growth companies

Economic Development Goals & Objectives:

Goal: Provide financial and technical tools and incentives to keep gazelles in New Mexico and recruit industry that will take advantage of the research conducted here

Objectives:

- Work with the national labs and universities to determine how their talent and facilities can be fully-utilized to attract and retain companies in New Mexico.
- Recognize the “gazelles” and other technology companies that invest in the state and provide careers for New Mexicans at the highest level.
- Develop a program of assistance, such as market intelligence, for companies that have lost business revenue due to sequestration or changes in global market competitiveness.

Economic Development Strategies:

More gazelles from startups & targeting gazelles for relocation here

- Conduct a survey of “gazelles” to learn more about the business climate for success specific to high-tech companies. Develop incentives and policy changes based on feedback received in the survey.
- Enact a tax deduction for New Mexico companies bidding on federal contracts to remove the seven percent disadvantage they currently face.

Work with New Mexico’s Congressional Delegation to:

- Create incentives for national lab staff to work with the private sector by offering financial benefits when the work results in a technology with commercial value.
- Change “full cost recovery” policies that make access to lab facilities cost-prohibitive for entrepreneurs and small businesses.

2014 New Mexico Technology Plan

- Build on strategies identified in I → E → E
- Three sectors in 2014 Plan:
 - Biosciences
 - Water
 - Energy
- Held three focus groups – one per sector
- One FTE in Office of Science & Technology at EDD beginning in FY15
- Develop role of Technology Research Collaborative (received \$100,000)
- Center of Excellence in Water Research will be priority in tech plan
- Ultimate goal is “holistic” approach based on best practices models

2. Rural Renaissance

Four goals for sustainable rural communities

- Goal 1: MainStreet: Enhance and grow the level of MainStreet services, resources and technical assistance to affiliates to serve additional MainStreet, Frontier and Emerging Community projects and Historic Movie Theaters
- Goal 2: Statewide Commercial Kitchen and Growers Program: Establish 12 functioning, USDA certified commercial kitchens through the Delicious NM and Mixing Bowl programs. Link kitchens with other economic development programs such as MainStreet where appropriate
 - *EDD is providing \$40,000 toward the Sostenga Commercial Kitchen in Española. The funding will also support a model to re-open dark kitchens statewide.*

Rural Renaissance, cont.

- Goal 3: Rural Business Recruitment: Organize a collaborative program of assistance for community economic development organizations
 - Provide the tools and resources needed to assist with marketing plans to locate service and retail businesses
 - *Update: EDD recently purchased Hoovers database and MetroComp, a software model that compares the cost of doing business in regions of New Mexico with MSAs across the country*
- Goal 4: Rural Infrastructure and Project Funding: Provide communities & businesses with the opportunity to vet their projects before all infrastructure funding agencies simultaneously
 - Update: Launched New Mexico FUNDIT - a group of representatives from all the state and federal agencies with infrastructure funding.
 - COGs will collaborate
 - MainStreet will participate to fund infrastructure projects and continue historic movie house theater upgrades
 - First meeting is June 4th

3. Borderplex & Logistics Industry Development

Capitalizing on New Mexico's unique location and excellent transportation infrastructure

Union Pacific Santa Teresa Intermodal Facility opens officially on May 28th

- Seven logistics companies have located in Santa Teresa in the last two years
- Six additional companies have located due to the facility, for a total of 13

Several possible projects on the BNSF TransCon Corridor

- Two feasibility studies will commence on July 1:
 - One to determine the feasibility of an inland port in McKinley County
 - Second to determine feasibility and best location for rail line connecting the Four Corners to the TransCon Corridor
 - Both projects involve the Navajo Nation & 3 independent chapters, Manuelito, Tsayatoh, and Rock Springs

Borderplex & Logistics Industry Development

Bi-National Community

Model of cross-border development incorporating the largest inland port; including coordinated sustainable master plans, foreign trade zones, industrial efficiencies, a secured border region, quality residential living, joint health care and education programs all centered around the Santa Teresa/San Jeronimo Port of Entry, on the New Mexico-Chihuahua border.

Competitive advantages:

- Equidistant to the seaports of Long Beach and Houston, and integrated into the northern economic corridor of Mexico, connected to the Pacific seaports by both rail and highway
- More than 70,000 acres of master-planned land for industrial, commercial and residential development, including 2,000+ acres of rail-served industrial land
- Foreign Trade Zone (U.S.) adjacent to Recinto Fiscalizado Estratégico (Mexico)
- Inland port with full intermodal capabilities planned on both sides of the border
- Juarez railroad bypass project
- Central corridor of the NAFTA region

4. Business Resource Center (BRC)

One-Stop-Shop & Rural Business Incubation Services

Goal: Develop an easily-accessible and intuitive website (one-stop-shop) for small businesses to find the resources they need and mentor the businesses through the process of achieving sustainability.

Objectives:

- Create an online intake form for businesses to request the services they need
- Utilize EDD's business networks and business incubators to identify appropriate organizations to mentor the small businesses and entrepreneurs

Contractor is currently analyzing EDD's website in order to create an optimal marketing strategy & determine best method to integrate BRC into agency website (www.nmbusinessresourcecenter.com)

5. Center of Excellence in Water Research

New Mexico's greatest challenge is water availability

Goal: New Mexico is the water research capitol of North America

- 80 scientists working in water research in many disciplines; new center would co-locate researchers into an optimal environment to develop and commercialize new technologies
- Develop a template for a sustainable and renewable water future for the state based on the best models from around the nation and internationally
- Incorporate water research and innovation into the 2014 Technology Plan

6. Workforce Development

Preparing a 21st Century Workforce

Job Training Incentive Program (JTIP)

Goal: Develop an “evergreen” fund for JTIP within EDD’s budget and increase JTIP participation statewide by 30 percent over the next five years.

Strategies: Build an electronic application on EDD’s website to eliminate paperwork and simplify the process.

- Use technology to increase JTIP training and marketing to communities and businesses statewide.

JTIP continues to evolve toward funding higher-wage jobs. The internship program is an example of putting graduates to work in New Mexico.

Workforce Development

Preparing a 21st Century Workforce

Employability Partnership

Goal: Evaluate the current workforce delivery system and identify policies that support increased employability throughout the state

Objective:

- Conduct a biennial assessment of over 1,500 businesses to provide an analysis of the key employment needs and issues as well as project future needs

Goal: Expand programs with a high return on investment

Objectives:

- Double the ECHS footprint in the state
- Expand opportunities to engage other transformative educational platforms such as Mission: Graduate

7. Recruit New Industry to the State

New Mexico Partnership

Goal: Convey New Mexico's competitive advantages in order to attract/expand economic base employers. Progressively increase performance measures and initiatives in order to attain the best per capita business attraction results of any competitor state.

Objectives:

- Effectively measure the success and cost effectiveness of the various marketing activities
- Expand private sector involvement and support

8. Film & Emerging Media

Digital media is one of the fastest growing business sectors globally

Production Recruitment & Assistance

Goal: Strengthen film, television and media industry statewide, increasing positive economic impact to the state

Objectives:

- Attract 15 percent more production companies and other types of projects to the state
- Expand production support and infrastructure available in New Mexico to allow for up to 20 percent of projects to be entirely completed in-state

Emerging Media

Goal: Increase the state's visibility in digital technologies that affect the entertainment, educational and medical industries.

Objective:

- Attract and recruit five (5) new, key businesses and assist in the expanding of current businesses that produce digital content and utilize related technology

2014 Legislative Initiatives

Supporting Innovation Creates Diversification

Priority	Legislation
Innovation → Enterprise → Economic Development	\$2M Technology Research Collaborative
	\$7.5M Competitive Higher Education Endowment Fund
	Expand Angel Investment Tax Credit
	Expand & enhance Tech Jobs Credit incorporating R&D credit
Rural Renaissance	Expand Historic Preservation Tax Credit
	\$500,000 for Frontier Communities Initiative
	\$1.25 MainStreet capital outlay
	\$100,000 for business incubators
	\$350,000 for RGCDC commercial kitchen program
	60% of capital outlay dedicated to water infrastructure

2014 Legislative Initiatives continued

Priority	Legislation
Borderplex & Logistics Industry Development	Provide gross receipts tax deduction for trade-support companies in a border zone (within 20 miles of a port of entry) for 7 years
Center of Excellence in Water Research	\$2M to build Center at NMSU
Workforce Development	\$3M for Job Training Incentive Program
Recruit New Industry	\$930,000 for New Mexico Partnership

2014 Legislative Successes

- \$100,000 for Technology Research Collaborative
- \$130,000 for business incubators
- \$500,000 for Frontier Communities Initiative
- \$98M for water infrastructure
- \$15M for LEDA
- \$1.5M for JTIP
- Expanded aircraft gross receipts deduction
 - Resulted in the location of Stewart Industries in Roswell (50 jobs)
 - Dean Baldwin Painting expanded in Roswell (100)
 - Titan Aerospace (UAS manufacturer) expanded in Moriarty (11 jobs)
 - Two new UAS companies located in Alamogordo (Bostan Research & FRST, total of 49 jobs)
 - Santa Fe Aero Services expanded to Santa Teresa (20 jobs)
 - Two aviation companies in Albuquerque expanded – (Ultramain Systems & Bendix King, total of 32 jobs)